

Mr. Robert L. Wagner

President

Southeastern Municipal Bonds, Inc.

Post Office Box 3333

Orlando, Florida 32802

Dear Mr. Wagner:

This is in response to your letter of December 20, 1978 on behalf of Southeastern Municipal Bonds, Inc. ("Southeastern"), regarding the purchase of gold bullion.

I understand the pertinent facts to be as follows: Southeastern is considering purchasing gold bullion for its own account. Your question is whether or not gold bullion may be treated as a fully allowable asset.

Rule 15c3-1(b) (17 CFR 240.15c3-1(b)) provides for a deduction of 30 percent of the market value of a spot commodities long or short in the proprietary accounts of a broker or dealer. To the extent that the spot commodity is hedged by future commodity contracts or forward spot contracts in the same commodity, a 10 percent deduction is applied.

Gold bullion purchased for a proprietary account must be within the broker or dealer's control in good deliverable form and covered by appropriate insurance or it is subject to a 100 percent deduction. For discussion of the terms "within the broker or dealer's control", "good deliverable form", and "appropriate insurance", see NYSE Interpretation Handbook, 1964-1 (App. B) (A)(9) 207, copy enclosed.

As I mentioned on the telephone, all rules concerning spot commodities and the treatment of gold bullion are subject to change.

If you have any questions, please contact me.

Sincerely,

Elizabeth S. York

Staff Attorney

December 20, 1978

Mr. Morgan Kibler

Assistant Director Market Regulation

Securities and Exchange Commission

500 North Capitol Street Washington, D.C. 20549

Dear Mr. Kibler:

I wrote to you on November 15, with an inquiry as to whether we, as a municipal bond company could own gold bullion as part of our assets, and if we did so, how SEC and NASD would treat this asset.

I don't know whether the letter reached you, so I am enclosing a copy of the letter for your information.

I would appreciate whatever information you could give us in connection with this matter.

Very truly yours,

Robert L. Wagner

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